



SONGA BULK

Songa Bulk ASA
Financial Report Q1 2018

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SONGA BULK

First Quarter 2018 Highlights, Events, Results and Fleet

FIRST QUARTER 2018 HIGHLIGHTS

The highlights below are a comparative summary of Q1 2018 versus Q4 2017.

- EBITDA was \$6.9 million in Q1 2018, compared to \$6.7 million in Q4 2017. Included in EBITDA for Q4 2017 was gain on sale of vessel, amounting to \$2.0 million.
- Average time charter equivalent (TCE¹) in Q1 2018 was \$10 844 per day, compared to \$10 391 per day in Q4 2017.
- Total time charter equivalent earnings¹ were \$14.3 million in Q1 2018, up from \$12.2 million in Q4 2017.
- Net profit was \$1.6 million in Q1 2018, compared to \$2.3 million in Q4 2017.
- Total operating days¹ were 1 326 in Q1 2018, while operating days in Q4 2017 were 1 190.
- Net ship operating expenses (OPEX¹) in Q1 2018 were \$5 085 per day, compared to \$5 585 per day in Q4 2017.
- Cash break-even per vessel in Q1 2018 was \$7 276 per day.

FIRST QUARTER 2018 EVENTS

VESSEL DELIVERIES:

- On 25 January 2018, the Company took delivery of a cape size bulk carrier, the Songa Claudine. The purchase price was \$30.50 million, of which \$3.05 million was paid during the fourth quarter of 2017 and \$27.45 million during the first quarter 2018. The vessel was built at STX in 2011 and has a deadweight of 181 258 tons.

CORPORATE

- In an extraordinary general meeting held on 22 March 2018 it was decided to pay a dividend of \$0.10 per share. For tax purposes, the distribution was considered repayment of paid in capital.

SUBSEQUENT EVENTS:

- On 4 April 2018, a dividend of \$0.10 per share was paid to the shareholders. For tax purposes, the distribution was considered repayment of paid in capital.
- On 14 May 2018, the Company entered into an agreement with Star Bulk Carriers Corp. (Star Bulk) to sell all its vessels to Star Bulk against a consideration of 13 688 000 shares of Star Bulk and \$144.55 million in cash. In addition, Star Bulk will acquire and cancel the Company's outstanding warrant program for 37 000 shares of Star Bulk and \$450 000 in cash. The Company will use the cash proceeds from the transaction to repay the bond loan on completion at the mandatory prepayment price. The transaction is subject to Star Bulk being approved for a secondary listing on the Oslo Stock Exchange, approval by the shareholders of Songa Bulk ASA and customary regulatory and third party approvals. In the event the transaction is completed the Company expects to distribute the proceeds to its shareholders as soon as practical, and thereafter assess how to realise any residual shareholder values through a liquidation or a strategic transaction.

¹ Please see Note 8

FIRST QUARTER 2018 RESULTS

in \$ thousands		
Financial performance	Q1 2018	Q4 2017
Operating revenue	15 113	13 880
Other operating income (-expenses)	-788	283
Operating expenses	10 217	9 715
Operating profit	4 108	4 448
Net profit	1 628	2 338
Earnings per share, \$ per share	0.045	0.065
Financial position	31 March 2018	31 December 2017
Total assets	321 575	316 888
Cash and cash equivalents	16 290	41 017
Total equity	172 207	174 165
Cash flow statement	Q1 2018	Q4 2017
Net cash flow from operating activities	3 829	2 475
Net cash flow used in investing activities	-28 556	-20 929
Net cash flow from financing activities	-	-867
Net change in cash and cash equivalents	-24 727	-19 321

Financial performance

Adjusted for gain on sale of vessel of \$2.0 million in Q4 2017, the Company increased operating profit by \$1.7 million, from Q4 2017 to Q1 2018. The Company reports a net profit of \$1.6 million in Q1 2018, compared to net profit in Q4 2017 of \$2.3 million. Delivery of one vessel in Q1 2018, in addition to full quarter contributions from the three vessels delivered during Q4 17, led to an increase in operating days which contributes positively on net profit.

Operating revenue increased from \$13.9 million in Q4 2017 to \$15.1 million in Q1 2018. TC out days² increased from 1 173 in Q4 2017 to 1 321 in Q1 2018. TCE was \$10 844 per day in Q1 2018, compared to \$10 391 per day in Q4 2017.

Operating expenses were \$10.2 million in Q1 2018 compared to \$9.7 million in Q4 2017. The rise in operating expenses relates mainly to ship operating expenses and depreciation, since operating days increased from 1 190 in Q4 2017 to 1 326 in Q1 2018.

Net financial expenses were \$2.5 million in Q1 2018, up from net financial expenses of \$2.1 million in Q4 2017.

Financial position

The Company's total assets amounted to \$321.6 million at 31 March 2018, up from \$316.9 million at 31 December 2017. Non-current assets, which comprise of vessels delivered and paid deposits on vessels for future deliveries, increased from \$269.8 million at 31 December 2017 to \$295.6 million at 31 March 2018. Cash and cash equivalents decreased from \$41.0 million at 31 December 2017 to \$16.3 million at 31 March 2018. These changes in balance sheet items were mainly due to the delivery of one vessel in Q1 2018.

Total equity and total interest-bearing debt were stable during the quarter.

Cash flow

Net cash flow from operating activities was \$3.8 million in Q1 2018. \$28.6 million were used in investment activities this quarter, being mainly the delivery of one vessels. Net change in cash and cash equivalents from 31 December 2017 to 31 March 2018 was -\$24.7 million. Cash and cash equivalents at the end of Q1 2018 were \$16.3 million.

² Please see Note 8

THE FLEET

By the end of the first quarter 2018, the fleet consisted of 15 bulk carriers:

Vessel Name	Ex Name	Type	DWT	Built	Yard
Songa Glory	Equinox Glory	Supramax	58 680	2012	Nantong Cosco
Songa Wave	Xing Fu Hai	Ultramax	61 491	2017	Dalian Cosco
Songa Delmar	Delmar	Kamsarmax	81 501	2011	Hyundai Samho HI
Songa Devi	Goddess Santosh Devi	Kamsarmax	81 918	2014	Tsuneishi Japan
Songa Flama	Flama	Kamsarmax	80 448	2011	STX South Korea
Songa Genesis	Maverick Genesis	Kamsarmax	80 705	2010	STX South Korea
Songa Grain	Nord Navigator	Kamsarmax	82 672	2008	Tsuneishi Japan
Songa Hadong	Hanjin Hadong	Kamsarmax	82 158	2012	Tsuneishi Japan
Songa Hirose	Harbor Hirose	Kamsarmax	83 494	2011	Sanoyas
Songa Maru	Ten Maru	Kamsarmax	82 687	2008	Tsuneishi Zhoushan
Songa Moon	Atlantic Moon	Kamsarmax	82 188	2012	Tsuneishi Japan
Songa Sky	Midland Sky	Kamsarmax	81 466	2010	Universal Shipbuilding
Songa Mountain	Mount Meru	Capesize	179 147	2009	Hyundai HI Korea
Songa Opus	Golden Opus	Capesize	180 716	2010	STX South Korea
Songa Claudine	Cape Claudine	Capesize	181 258	2011	STX South Korea

Total TC out days during Q1 2018, were 1 321 days. There were 3 handover days in Q1 2018. Handover days is the time from delivery of the vessels to the Company until vessels delivery to charterers.

MARKET

Market, Outlook, Strategy and Forward-Looking Statements

DRY BULK MARKET IN Q1 2018

As expected overall activity slowed down during Q1 2018 following a strong performance in Q4 2017. Iron ore shipments were remarkably slow during February and March with a decrease of 5.0% compared with the same period in 2017. A factor, which added further negative pressure on the cape rates, was higher Australian iron ore exports at the expense of shipments from Brazil with subsequent lower ton-mile demand. Shipments of iron ore is basically carried in cape size vessels and larger sizes and explains the reason why cape size TC rates came down from \$20 000 per day in early January to \$8 300 per day by the end of March. For the other main bulk commodities, we registered positive year on year development. This combined with a modest fleet growth (0.8%) ensured relatively stable earnings for both kamsarmax/panamax and supramax. Average panamax earnings for Q1 2018 came in at \$11 500 only marginally lower than the average for Q4 2017.

Below are the average Q1 2018 TC spot rates per day gross compared with the previous quarter:

- Supramax (SM6TC): \$10 618 per day in Q1 2018 compared to \$10 742 in Q4 2017
- Panamax (PC4TC): \$11 523 per day in Q1 2018 compared to \$11 924 in Q4 2017
- Capesize (CS5TC): \$12 919 per day in Q1 2018 compared to \$22 995 in Q4 2017

The dry bulk fleet registered a net increase in Q1 2018 of 6.5 million dwt or 0.8% out of which 60% was added in January. At the same time, we observed that the net fleet growth in Q1 this year is almost half of what was recorded in the same quarter last year signaling a strong levelling off in fleet growth.

Compared to the previous quarter, Q1 2018 tonnage demand decreased by 3.7%. Year on year, there was an increase of about 1.8%. The utilization rate of the dry bulk fleet dropped more than 2%, from 86.1% in Q4 2017 to slightly below 84% in Q1 2018. However, compared with the first quarter last year, fleet utilization was about 2 percentage points higher.

Looking into the main commodities, this can be broken down as follows:

- Iron ore: -9.0% compared to the previous quarter and -2.4% year on year
- Coal: -2.7% compared to the previous quarter and +4.8% year on year
- Grain / soya: +1.0% compared to the previous quarter and +3.5% year on year
- Others: -3.1% compared to the previous quarter and +2.5% year on year

A strong freight market in Q4 2017 combined with better than expected earnings for kamsarmax/panamax and supramax contributed to a slight increase in second hand values during Q1 2018.

- A five year old Supramax (56 000 dwt) was worth \$18.0 million at the end of Q1 2018 compared to \$17.5 million at the end of Q4 2017.
- A five year old Panamax (76 000 dwt) was worth \$19.0 million at the end of Q1 2018, up from \$18.5 million at the end of Q4 2017.
- A five year old Capesize (180 000 dwt) was worth \$34.0 million at the end of Q1 2018, an increase of \$1.0 million from the end of Q4 2017.

More ordering has taken place and the overall order book now stands around 10.2% of the existing fleet. This is still very low seen in a historic perspective.

OUTLOOK AND STRATEGY

On 14 May 2018 the Company reached an agreement with Star Bulk Carriers Corp. ("Star Bulk") listed on NASDAQ Global Select Market ("Nasdaq") with ticker "SBLK", to sell all of Songa's 15 vessels for a total consideration comprised of \$144 550 000 in cash (the "Cash Consideration") and a seller's credit in the amount of \$183 000 000 which on completion of the transaction is to be converted into 13 688 000 common shares (the "Consideration Shares") of Star Bulk (the "Transaction"). By converting the seller's credit into Consideration Shares, the Seller's credit will be set-off and extinguished in its entirety. In addition, Star Bulk agreed to acquire all outstanding warrants issued by Songa for 37 000 common shares of the Company (together with the Consideration Shares, the "Shares"), and \$450 000 in cash, which warrants will be cancelled upon completion of the Transaction. The sale of Songa's vessels will constitute a mandatory prepayment event under Songa's existing bond loan. Songa will use the cash proceeds to repay the bond loan on completion at the mandatory prepayment price.

Star Bulk intends to apply for a secondary listing of its common shares for trading on Oslo Stock Exchange. The listing is intended to become effective upon distribution of the Consideration Shares to the Songa shareholders (see below). Following a listing, the Consideration Shares will be freely tradeable on Oslo Stock Exchange by persons not affiliated with Star Bulk and so long as such persons have not pre-arranged a purchase or sale (as applicable) with a person in the U.S., but will be restricted from trading in the U.S., including through Nasdaq, for a period of six months following the distribution of the Consideration Shares to the shareholders of Songa unless they are sold pursuant to a transaction exempt from, or not subject to, registration under the Securities Act of 1933, as amended (the "U.S. Securities Act"). Upon expiry of the said six month period the Shares are expected to be freely tradable on Star Bulk's Oslo and Nasdaq listing by shareholders who are not affiliates of Star Bulk. A general meeting has been convened to be held on 5 June 2018 to, inter alia, approve the Transaction. Companies controlled by Arne Blystad, Magnus Roth and Herman Billung, in total representing approximately 29% of the shares of Songa, have committed to vote in favour of the Transaction on terms customary for such undertakings. Upon completion of the Transaction, the Company expects to distribute the net proceeds to its shareholders as soon as practical thereafter (provided that delivery of Consideration Shares to any shareholder will be subject to receipt of required confirmations as required under applicable U.S. securities laws), and assess how to realise any residual shareholder values through a liquidation or a strategic transaction. It is expected that the Transaction will close during Q3 2018.

The Board and Management of Songa recommend its shareholders to vote in favor of the Transaction. We believe that we will create improved shareholder value by being part of a bigger platform of 108 vessels (on a fully delivered basis) owned by Star Bulk. We believe that it will enhance Songa shareholders' exposure to an expected continued strengthening of the dry bulk market. Further, we believe the combined fleet will allow for economies of scale and Star Bulk will have an attractive leverage profile. As shareholders in Star Bulk, former Songa shareholders will likely achieve increased stock liquidity. A secondary listing of Star Bulk on the Oslo Stock Exchange should open the company to a wider investor base and consequently benefit all stakeholders.

The Consideration Shares will not be registered under the U.S. Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the U.S. Securities Act.

FORWARD-LOOKING STATEMENTS

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made, but are subject to uncertainties and contingencies that are difficult or impossible to predict. Songa Bulk ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

RISK FACTORS

Risk Factors

MAIN RISK FACTORS

The Company is through its operations exposed to a variety of market, operational and financial risks.

The most significant risk for the Company is the market risk related to the cyclical dry bulk market. Changes in national and international economic conditions, including for example interest rate levels, inflation, employment levels, may influence the valuation of real and financial assets. In turn, this may impact the demand for goods, services and assets globally and thereby the macro economy. The current macroeconomic situation is uncertain and there is a risk of negative developments. Such changes and developments, none of which will be within the control of the Company, may negatively impact the Company's investment activities, realization opportunities and overall investor returns.

The demand for, and the pricing of the underlying assets are outside of the Company's control and depend, among other things, on the global economy, the global trade growth, as well as the prices of oil and gas. On the supply side there are uncertainties tied to the ordering of new vessels and scope of future scrapping. The actual residual value of the vessels in the underlying investments, and/or their earnings after expiration of the fixed contract terms, may be lower than the Company estimates.

In view of operational risk, the Company is considering different factors such as misdelivery of cargoes, cargo claims, off hire due to technical reasons, as well as arrests and/or hijacking of vessels. However, the Company is taking measures to minimize the exposure and the probability of such risks.

The Company is exposed to credit risk and time charter contract risk in the case that receivables from customers and other parties are not paid and time charter contracts are early terminated. The customers are in general large companies with excellent credit rating. For new customers, a credit evaluation is performed.

Illiquidity risk may arise if the Company is not able to pay its financial obligations at due date. The Company applies cash flow forecasting to ensure that the activities are adequately financed at all times. Cash flows from operations and from financing activities are considered sufficient to settle all financial obligations.

FINANCIAL INFORMATION

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

in \$ thousands	Note	Q1 2018 (Unaudited)	Q1 2017 (Unaudited)
Voyage charter revenue		2 330	-
Time charter revenue		12 783	1 535
Total operating income		15 113	1 535
Other operating income (-expenses)		-788	-
Ship operating expenses		6 879	1 563
General and administrative expenses		582	612
Depreciation	3	2 756	321
Total operating expenses		10 217	2 496
Operating profit (-loss)		4 108	-961
Interest income		55	5
Interest expenses		-2 565	-
Other financial income (-expenses)		30	-145
Net financial income (-expenses)		-2 480	-140
Profit (-loss) before taxes		1 628	-1 101
Tax expense		-	-
Net profit (-loss)		1 628	-1 101
Total comprehensive income (-loss)		1 628	-1 101
Basic and diluted earnings – \$ per share		0.045	-0.044

CONDENSED STATEMENT OF FINANCIAL POSITION

in \$ thousands	Note	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Vessels		295 625	266 770
Deposit vessels		-	3 055
Total non-current assets	3	295 625	269 825
Inventories		4 212	2 233
Trade receivables		1 039	1 312
Other receivables		4 409	2 501
Cash and cash equivalents		16 290	41 017
Total current assets		25 950	47 063
TOTAL ASSETS		321 575	316 888
Share capital		21 620	21 620
Share premium		150 033	153 619
Other paid-in capital		574	574
Retained earnings		-20	-1 648
Total equity	4	172 207	174 165
Interest-bearing debt	6	137 236	136 776
Financial liabilities at fair value through profit or loss		424	490
Total non-current liabilities		137 660	137 266
Trade payables		2 837	1 745
Income taxes payable		130	124
Dividends payable		3 586	-
Other liabilities		5 155	3 588
Total current liabilities		11 708	5 457
Total liabilities		149 368	142 723
TOTAL EQUITY AND LIABILITIES		321 575	316 888

CONDENSED STATEMENT OF CHANGES IN EQUITY

in \$ thousands	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Incorporation	3	-	-	-	3
Share issuance 4 November 2016	9 082	65 188	-	-	74 270
Share issuance costs	-	-1 432	-	-	-1 432
Warrants issued to employees	-	-	400	-	400
Net loss 2016	-	-	-	-2 036	-2 036
Equity 31 December 2016	9 085	63 756	400	-2 036	71 205
Share issuance 31 January 2017	600	4 400	-	-	5 000
Share issuance 17 February 2017	11 935	88 311	-	-	100 246
Share issuance costs	-	-2 848	-	-	-2 848
Warrants issued to employees	-	-	174	-	174
Net profit 2017	-	-	-	388	388
Equity 31 December 2017	21 620	153 619	574	-1 648	174 165
Dividends	-	-3 586	-	-	-3 586
Net profit Q1 2018	-	-	-	1 628	1 628
Equity 31 March 2018	21 620	150 033	574	-20	172 207

CONDENSED STATEMENT OF CASH FLOWS

in \$ thousands	Q1 2018	Q1 2017
	(Unaudited)	(Unaudited)
Profit (-loss) before taxes	1 628	-1 101
Depreciation	2 756	321
Change in inventories	-1 979	-195
Net change in trade receivables/payables	1 365	-179
Employee benefit expenses in connection with issuance of warrants	-	174
Change in financial liabilities at fair value through profit or loss	-66	261
Net change in other current items	125	249
Net cash flow from operating activities	3 829	-470
Purchase of vessels	-28 556	-36 596
Paid deposit on vessels	-	-6 239
Net cash flow used in investment activities	-28 556	-42 835
Proceeds from share issuance	-	105 246
Share issuance costs	-	-2 848
Net cash flow from financing activities	-	102 398
Net change in cash and cash equivalents	-24 727	59 093
Cash and bank deposits at beginning of period	41 017	57 688
Cash and bank deposits at end of period	16 290	116 781

NOTES

Note 1 Accounting policies

These interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS, as adopted by the EU.

New accounting policies since annual financial statements

Operating revenue

Voyage charter revenues are recognized using the percentage of completion method on a load-to-discharge basis, with cost related to fulfil the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst voyage expenses incurred as repositioning for non-committed freight contracts expensed as incurred. Other revenue from services, such as demurrage, is recognized when earned and is included in freight revenue.

Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The group adopted the simplified expected credit loss model for its trade receivables with only minor effects.

No assets held by the group were subject to reclassifications in IFRS 9.

New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective during the current period. These include:

- IFRS 15 – Revenue from contracts with customers, for periods beginning on or after 1 January 2018.
- IFRS 9 – Financial instruments, for periods beginning on or after 1 January 2018.
- Amendments to IFRS 2 – Share based payments for periods beginning on or after 1 January 2018.

Except for timing differences related to the period of which the revenue is recognized, the above pronouncements are not expected to have a material impact on the financial statements of the Group, beyond disclosures.

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after 1 January 2019, assuming European Union adoption. The Group is evaluating the impact of these changes on the financial statements of the Group:

- IFRS 16 – Leases.

Note 2 Segment information

The Company operates within one single segment, which is the shipping dry-bulk segment.

Note 3 Non-current assets

in \$ thousands	Q1 2018	2017
Closing balance previous period total non-current assets	269 825	14 963
Purchase price vessels delivered in the period and other additions	30 680	272 370
Paid deposits previous periods on vessels delivered in the period	-3 055	-3 855
Paid deposits on vessels for delivery in future periods	-	3 055
Book value of vessels sold in the period	-	-11 655
Pre-paid dry-docking and other additions in the period	931	397
Depreciation in the period	-2 756	-5 450
Closing balance total non-current assets	295 625	269 825

As at 31 March 2018, the Company is the owner of fifteen bulk carrier vessels. During first quarter 2018, the Company took delivery of one vessel.

Management has assessed impairment indicators and concluded that there are no impairment indicators for any vessel as at 31 March 2018.

Note 4 Share capital and shareholders

As at 31 March 2018, the Company's share capital consists of 35 860 000 shares, each at a nominal value of \$0.60 (NOK 5). All issued shares are fully paid.

Note 5 Warrants

In connection with share issuances taking place in 2016 and 2017, warrants have been granted to the Company's founding shareholders. Warrants are granted under the warrant agreement as mentioned in note 8 to the annual report.

Granted warrants as at 31 March 2018 to shareholders that are also employed by the Company:

Share issue	No of warrants	Tranche 1		Tranche 2			Tranche 3		
		No of warrant	Value per warrant	No of warrant	Value per warrant	Value per warrant	No of warrant	Value per warrant	Value per warrant
		(NOK)	(USD)	(NOK)	(USD)	(USD)	(NOK)	(NOK)	(USD)
4 November 2016	201 094	5.87	0.72	201 094	5.84	0.71	201 094	4.54	0.56
31 January 2017	13 750	7.53	0.90	13 750	7.87	0.94	13 750	6.37	0.76
17 February 2017	59 583	6.85	0.82	59 583	6.99	0.84	59 583	5.52	0.66

Valuation date is on the date of the respective share issuance. Subscription price is NOK 40.89 for warrants issued on 4 November 2016, NOK 41.63 for warrants issued on 31 January 2017 and NOK 42.00 for warrants issued on 17 February 2017. Warrants are accounted for as employee benefit expenses with a corresponding increase in equity. No amounts were recognized in first quarter 2018.

Granted warrants as at 31 March 2018 to shareholder that is not employed by the Company:

Share issue	No of warrants	Tranche 1		Tranche 2		Tranche 3		Value per warrant (USD)	
		Value per warrant (NOK)	Value per warrant (USD)	Value per warrant (NOK)	Value per warrant (USD)	Value per warrant (NOK)	Value per warrant (USD)		
4 November 2016	164 531	5.50	0.71	164 531	5.38	0.69	164 531	4.09	0.53
31 January 2017	11 250	5.28	0.68	11 250	5.12	0.66	11 250	3.87	0.50
17 February 2017	48 750	5.18	0.67	48 750	4.97	0.64	48 750	3.73	0.48

Valuation date is 31 March 2018. These warrants are recognized as financial liabilities, since the strike price is not in the functional currency of the entity, and valued at fair value through profit or loss. The fair value of all issued warrants to shareholder not employed by the Company as of 31 March 2018, was \$424 thousand. The recognized income in first quarter 2018 was \$66 thousand. The item is classified as other financial income.

Note 6 Interest-bearing debt

The Company's issued bond has floating interest rate of LIBOR plus a margin of 4.50%. Outstanding loan amount as at 31 March 2018 was \$138 million. Final maturity is 13 June 2022.

in \$ thousands	31 March 2018	31 December 2017
Nominal value of issued bond	138 000	138 000
Debt issuance cost	-764	-1 224
Interest-bearing debt	137 236	136 776

The following financial covenants exist under the bond terms:

- Vessel Loan to Value ratio shall at all times be below 75.0%
- The liquidity of the Company shall at all times exceed the sum of the interest payments falling due on the four following interest payment dates (interest payments are quarterly).

In addition, the earliest next distribution is in 2019. Distribution is permitted if the Vessel LTV Ratio is below 50% and is also limited to the Issuer's consolidated adjusted net Profit of the previous calendar year. Depreciation made on the vessels and sale of vessels is not included in adjusted net Profit.

Note 7 Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements. The estimated fair value amounts of the financial instruments have been determined using appropriate market information and valuation techniques.

In USD	31 March 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair Value
<i>Financial assets:</i>				
Trade receivables	1 039	1 039	1 312	1 312
Other receivables*	1 201	1 201	1 741	1 741
Cash and cash equivalents	16 290	16 290	41 017	41 017
<i>Financial liabilities:</i>				
Interest-bearing debt**	138 000	138 000	138 000	138 000
Financial liabilities at fair value through profit or loss	424	424	490	490
Trade payables	2 837	2 837	1 745	1 745
Income taxes payable	130	130	124	124
Dividends payable	3 586	3 586	3 586	3 586
Other current liabilities*	3 546	3 546	2 665	2 665

*The difference between the balance sheet item other receivables and other receivables in the table above is prepaid expenses which are not considered a financial instrument. The difference between the balance sheet item other current liabilities and other current liabilities in the table above is prepaid revenues which are not considered a financial instrument.

**The difference between the balance sheet item Interest-bearing debt and the table above is the debt issuance costs as detailed in note 6.

Fair value estimation

The different levels for fair value estimation have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable input for the asset or liability

Fair value equals carrying value for all financial instruments. Cash and cash equivalents are valued at level 1, Financial liabilities at fair value through profit or loss, which are warrants issued to shareholder, are valued at level 3.

Note 8 Alternative performance measures

Financial performance	Q1 2018	Q1 2017
Time charter equivalent revenue ¹ , \$ in thousands	14 325	1 535
Time charter out days (TC Out days ²)	1 321	240
Time charter equivalent (TCE³), \$ per day	10 844	6 397
Net ship operating expenses ⁴ , \$ in thousands	6 742	1 301
Operating days ⁵	1 326	255
Net ship operating expenses per day (OPEX⁶), \$ per day	5 085	5 102

¹ **Time charter equivalent revenue** is voyage charter revenue, time charter revenue and other operating income (- expenses).

² **Time Charter Out days (TC Out days)** are calculated on a vessel by vessel basis and represent operating days less handover days, dry-dock and unscheduled repairs.

³ **Time Charter Equivalent (TCE)** is calculated by dividing time charter equivalent revenue by TC Out days during a reporting period.

⁴ **Net Ship Operating Expenses** are the ship operating expenses less startup costs and tonnage tax. Startup costs are expenses related to delivery of new vessels, which cannot be activated.

⁵ **Operating days** are the number of days calculated from the day the Company takes delivery of the vessel, until end of the reporting period.

⁶ **Net Ship Operating Expenses per day (OPEX)** is calculated by dividing net ship operating expenses by operating days during a reporting period.

Note 9 Related party transactions

The Company has purchased corporate services from Arne Blystad AS under the corporate service agreement as mentioned in the annual report for 2017.

The Company has purchased technical management services from Songa Shipmanagement Ltd for the vessels Songa Maru, Songa Genesis, Songa Delmar, Songa Hadong, Songa Opus, Songa Devi, Songa Mountain, Songa Sky and Songa Claudine under the technical management agreement as mentioned in the annual report for 2017.

Note 10 Subsequent events

On 4 April 2018, a dividend of \$0.10 per share was paid to the shareholders. For tax purposes, the distribution was considered repayment of paid in capital.

On 14 May 2018, the Company entered into an agreement with Star Bulk Carriers Corp. (Star Bulk) to sell all its vessels to Star Bulk against a consideration of 13 688 000 shares of Star Bulk and \$144.55 million in cash. In addition, Star Bulk will acquire and cancel the Company's outstanding warrant program for 37 000 shares of Star Bulk and \$450 000 in cash. The Company will use the cash proceeds from the transaction to repay the bond loan on completion at the mandatory prepayment price. The transaction is subject to Star Bulk being approved for a secondary listing on the Oslo Stock Exchange, approval by the shareholders of Songa Bulk ASA and customary regulatory and third party approvals. In the event the transaction is completed the Company expects to distribute the proceeds to its shareholders as soon as practical, and thereafter assess how to realise any residual shareholder values through a liquidation or a strategic transaction.